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DISSEMINATION CONTROL ABBREVIATIONS

NOFORN-	Not Releasable to Foreign Nationals
NOCONTRACT-	Not Releasable to Contractors or Contractor/Consultants
PROPIN-	Caution-Proprietary Information Involved
ORCON-	Dissemination and Extraction of Information Controlled by Originator
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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC NO. 01593-86
25 March 1986

MEMORANDUM FOR: See Distribution

FROM: [REDACTED]

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Assistant National Intelligence Officer for Europe

SUBJECT: Warning and Forecast Report for Europe

1. Attached is the report to the DCI based on our warning meeting held on 19 March 1986.

2. Next month's warning meeting will be held on Wednesday, 16 April 1986 at 1015 in room 7-E-62, CIA Headquarters. Please have your clearances passed and call [REDACTED] with names of the attendees by noon, Tuesday, 15 April 1986.

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3. I also encourage you to phone in suggestions for the agenda and proposals to make opening presentations. It would be helpful to have your comments for the next meeting by Monday, 7 April 1986.

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THE DIRECTOR OF CENTRAL INTELLIGENCE

Washington, D.C. 20505

National Intelligence Council

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24 March 1986

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: [REDACTED]

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Assistant National Intelligence Officer for Europe

SUBJECT: Warning and Forecast Report for Europe

I. Main Discussion Items**A. Spain: After the NATO Referendum**

1. Discussion. Gonzalez's personal victory in the divisive NATO referendum has averted a major domestic and international crisis and reaffirmed his dominant position in Spain. But the divisions created in the campaign may also lead him to compromise with his left-wing to restore party unity before national elections due by October.

Party unity may be his major concern going into the elections. Currently upbeat economic forecasts suggest that the state of economy will not be as large a political issue. And the opposition is in disarray as the conservatives who abstained at Fraga's urging and the Communists lost credibility in the strongly pro-NATO vote. They now lack momentum and strong issues to challenge Gonzalez's mastery of the Spanish electorate.

2. Warning Note. To placate the left, Gonzalez may take a tougher stand on the US military presence in Spain and, although he may be more flexible on integration in NATO, he could be more assertive regarding Spanish military jurisdiction on Gibraltar. With NATO membership now decided, the forces most violently opposed--including the Communists, some leftists and even separatists like ETA--will focus on the US bases issue.

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B. Current Trends In Soviet-Yugoslav Relations

1. Discussion. Since coming to power Gorbachev actively has sought improved ties with Belgrade, is getting some results but Belgrade remains wary of Soviet intentions.

The Soviets last year entered the bidding on the Yugoslavs' second nuclear power plant. They also offered MIG-29s in a belated response to Yugoslav Air Force plans to replace aging MIG-21s with a self-designed fighter powered by a Western engine. In addition, Moscow recently has offered the Yugoslavs oil at lower, world prices for the first time.

Last year, Belgrade reportedly agreed to an extension in repair time for Soviet naval ships which regularly undergo repairs in the port of Tivat. (In return, the Soviets are to pay for an upgrade of repair facilities.) And Belgrade, which has looked favorably on Gorbachev's disarmament initiatives, reportedly agreed last November to discuss improved cooperation with the Soviet-sponsored World Peace Council.

Moscow, however, is not satisfied as the overall Yugoslav posture remains guarded.

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2. Warning Notice. The Soviets presumably want the nuclear plant and the new MIG contracts in order to increase Soviet leverage in Yugoslavia and counter what they see as efforts by the West to increase its influence. Belgrade knows the risks but would have few options if the Soviets add enough sweeteners to their bargaining packages and apply their other economic leverage. Increased Yugoslav collaboration with the Soviets on military matters--ship repairs, -even if incremental and controlled could create strains with the West just as a new leadership rotates into office later this spring.

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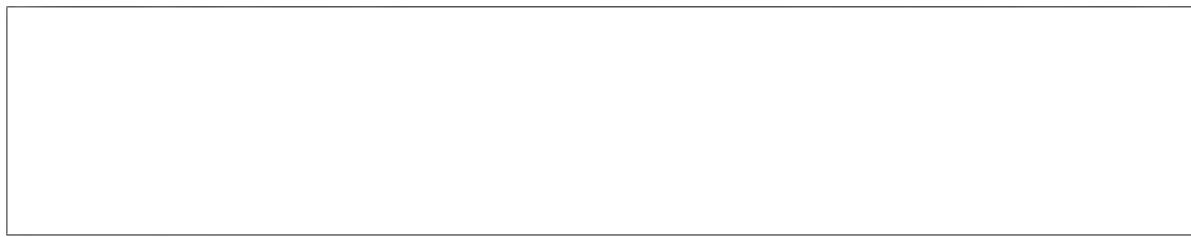
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II. Monitoring Items

A. West Germany and SDI

1. Discussion. Chancellor Kohl's evident eagerness to sign a framework agreement on SDI in Washington this week probably stems from a desire to appear decisive and in control of the coalition divisions on the issue. One of the issues still left unclear, however, is which implementing agent--the Foreign Ministry, Defense Ministry or the Chancellor's office--will be responsible for elaborating details of future cooperation. The fear is that in a political compromise Kohl might give the nod to Foreign Minister Genscher, a staunch opponent of SDI, who would be difficult to work with.



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B. Party Congress in Prague

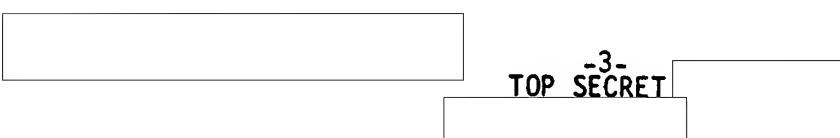
1. Discussion. The Czechoslovak 17th Congress this week is the first to follow the CPSU gathering. All signs are that Husak will not make sweeping personnel changes in the hierarchy. He probably will deflate any residual expectations of major economic reform by ordering palliatives--like improved central planning and calls for increased discipline--for the economy. The speech of CPSU delegation head Ligachev will be closely watched by the Czechoslovaks and other Warsaw Pact delegations for hints of Moscow's policy toward the Alliance and toward Husak's leadership.



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C. Great Britain: Heseltine's European Alternative

1. Discussion. The long term significance of the Westland affair in British politics is still murky. Most analysts think ex-Defense Minister Heseltine hurt his future influence by his



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obstreperous resignation. And since Mrs. Thatcher already is addressing other issues--like budgetary squabbles--and preparations for party confabs this fall will add new distractions, the issue is likely to dissipate over the near term. Nonetheless the proposition that Britain should curtail its special relationship with the US in favor of a more European defense orientation may continue to appeal in some Tory quarters and could grow even faster in left wing circles.

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D. Developments in Northern Ireland

1. Discussion. Disarray in loyalist leadership ranks is allowing more militant influence and an annual increase in political marches--some two thousand between now and midsummer--poses the risk of heightened violence. The Royal Ulster Constabulary could play an effective controlling role--if it behaves in a balanced and disciplined manner. If not, the street confrontations could turn ugly--forcing Mrs Thatcher to use more British troops to keep order.

2. Warning Note. Congressional legislation on US aid could cause tempers to flare as the division of the aid package between the Catholic and Protestant communities will be a highly charged issue. To the extent the US is seen as making the choice it could become the target for bitter reactions from one or both sides.

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